



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

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RESTITUTION & PENALTIES ORDERED AGAINST PROMOTER OF COLORADO OUTLET MALL DEVELOPMENT

PHOENIX – Charles Ray Stedman of Tucson, and his company, Profutura, LLC, were ordered to halt the sale of unregistered securities and cease and desist from fraud. The Arizona Corporation Commission ordered Stedman and Profutura to pay restitution of \$6,165,350 plus interest to investors and additional penalties totaling \$50,000 to the state of Arizona.

According to the Order, from 1993 through 1999, Stedman issued unregistered securities in the form of promissory notes to private investors, who were told that their money would be used to develop the Dacono Factory Outlet Stores or the Dacono Factory Outlet Mall and Sports Arena in Dacono, Colorado. The investments offered interest rates ranging in most cases from 15% to 20% per year. Stedman issued over 124 promissory notes – essentially IOUs – to more than 110 investors.

Stedman was responsible for raising money for the project, while Wendell T. Decker, the mall developer, was responsible for a construction loan for the project. The project owners failed to obtain a construction loan and the notes have never been repaid.

Investors were required to sign form letters addressed to Stedman, which the promoters called "Big Boy Letters," stating that the investors were accredited, having a net worth over \$1,000,000 or an income of at least \$200,000 for the two years prior to investment. Stedman failed to disclose that he was selling the notes to investors who were not accredited investors and that he had no money to pay the notes when they were due. In addition, most of the notes stated that they were secured by the property, when in actuality, the property pledged to private investors was utilized as security to obtain financing from institutional "bridge" lenders.

Prospective investors were told that the investment was a short-term loan that would be paid in full at the close of a construction loan. Stedman did not inform investors of numerous failed attempts to obtain the loan and bond funding, nor did he disclose the risks involved with the development project. Those risks included Stedman's censure and fine by National Association of Securities Dealers in 1994 for conduct "inconsistent with just and equitable principles of trade," Decker's bankruptcy in 1989, and other essential background information about the promoters.

Mark Sendrow, Director of the Corporation Commission Securities Division warned that unregistered promissory notes are among the most risky investment products. "Often the promissory note is little more than a piece of fancy paper with nothing to back up its value. This case was somewhat different because there was an actual development project – however speculative it might have been – that just never got off the ground. We urge the public to inquire about the registration status of both securities products and securities salesmen before investing."

To check out an investment or the registration status of someone promoting an investment, call the Commission's Securities Division at (602) 542-4242, toll free at 1-877-811-3878, or access the Division's website at www.ccsd.cc.state.az.us.

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